

NORTEL NETWORKS CORPORATION
Condensed Consolidated Statements of Cash Flows (unaudited)
(U.S. GAAP; Millions of U.S. dollars)

	Three months ended		
	March 31, 2008	December 31, 2007	March 31, 2007
Cash flows from (used in) operating activities			
Net earnings (loss)	\$ (138)	\$ (844)	\$ (103)
Adjustments to reconcile net earnings (loss) to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses:			
Amortization and depreciation	82	97	79
Non-cash portion of shareholder litigation settlement expense (recovery)	-	-	(54)
Non-cash portion of special charges and related asset write downs	2	10	-
Equity in net (earnings) loss of associated companies	(1)	-	-
Share based compensation expense	21	19	25
Deferred income taxes	12	1,027	5
Pension and other accruals	32	77	92
Gain on sale or write down of investments, businesses and assets	6	(23)	(1)
Minority interests	78	39	22
Other - net	(23)	(18)	18
Change in operating assets and liabilities, excluding Global Class Action Settlement - net	(331)	33	(59)
Global Class Action Settlement - net	-	-	(585)
Net cash from (used in) operating activities	(260)	417	(561)
Cash flows from (used in) investing activities			
Expenditures for plant and equipment	(51)	(95)	(56)
Proceeds on disposals of plant and equipment	-	1	14
Restricted cash and cash equivalents	18	(12)	595
Acquisitions of investments and businesses - net of cash acquired	(29)	(4)	(14)
Proceeds on sale of investments and businesses	18	104	(39)
Net cash from (used in) investing activities	(44)	(6)	500
Cash flows from (used in) financing activities			
Dividends paid by subsidiaries to minority interests	(11)	(17)	(10)
Increase in notes payable	28	29	10
Decrease in notes payable	(25)	(29)	(12)
Increase in loan payable	-	-	1,150
Debt issuance costs	-	-	(22)
Decrease in capital leases payable	(6)	(6)	(5)
Issuance of common shares	-	-	7
Net cash from (used in) financing activities	(14)	(23)	1,118
Effect of foreign exchange rate changes on cash and cash equivalents	9	16	6
Net increase (decrease) in cash and cash equivalents	(309)	404	1,063
Cash and cash equivalents at beginning of period	3,532	3,128	3,492
Cash and cash equivalents at end of period	\$ 3,223	\$ 3,532	\$ 4,555